

Message Text

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E.O. 11652: GDS

TAGS: MASS VE

SUBJECT: FY 76 AND FY 77 MILITARY SECURITY ASSISTANCE PROGRAMS:
VENEZUELA

REF STATE 258167

BEGIN SUMMARY: THIS MESSAGE PROVIDES INFORMATION REQUESTED REFTEL
FOR FMS CREDITS TO VENEZUELA. HOWEVER, PRESENT IMPASSE OVER FFB
REQUIREMENTS ON LITIGATION VENUE MAKES IT MOST UNLIKELY THAT GOV WILL
BE ABLE TO ACCEPT FMS CREDITS. END SUMMARY.

1. EMBASSY'S RESPONSES TO QUESTIONS RAISED IN PARA 5 REFTEL ARE
AS FOLLOWS:

A. WILL HOST COUNTRY ACCEPT AND CONSUMMATE CREDIT AGREEMENT AT
LEVELS INDICATED IF CONGRESS APPROVES EXECUTIVE BRANCH REQUEST?
GOV WOULD ACCEPT FY 76 CREDIT GLADLY IF SECTION 5, PARAGRAPH (D),
OF FFB CREDIT AGREEMENT COULD BE ALTERED TO INTERNATIONAL JURISDIC-
TION. GOV CONSIDERS FFB REQUIRMENTS ON LITIGATION VENUE AS IN
DIRECT CONFLICT WITH VENEZUELAN CONSTITUTION.

B. WHAT ARE THE MAJOR ITEMS WHICH GOV WOULD PROCURE WITH FMS
CREDITS? MAJOR ITEMS TO BE PROCURED IN PRIORITY ORDER AS DETERMINED
BY HOST COUNTRY:

(1) COMMUNICATIONS \$5.6MILLION

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(2) ARMY HELOS 6 UHIH \$2.1 MILLION

(3) ARMY BRIDGES \$1.MILLION

(4) AF HELOS W/MINITAT \$2.2 MILLION

(5) NAVY MK37 MOD 2 & 3

LCVP-7

COMPUTERS \$1.8 MILLION

(6) ORDNANCE GENERAL SERVICES \$1.6 MILLION

(7) ENGINEERING GENERAL SERVICES \$.3 MILLION

(8) MEDICAL GENERAL SERVICES \$.14 MILLION

(9) MAPPING GENERAL SERVICES \$.03 MILLION

(NOTE: THESE ITEMS, PARTICULARLY COMMUNICATIONS EQUIPMENT, ARE CONSONANT WITH THE MODERNIZATION PROGRAM FOR THE VENEZUELAN ARMED FORCES.)

C. DOES PROVISION OF CREDIT SUPPORT A MILITARY REQUIREMENT DERIVED FROM A U.S. APPROVED FORCE GOAL?

ALL CREDIT PURCHASES AND RELATED PLANNING ARE COORDINATED WITH THE JOINT U.S.-VENEZUELAN MILITARY LOGISTICS COMMITTEE, ESTABLISHED AS A RESULT OF THE NIXON-CALDERA MEETING IN 1970. DECISION OF MEETING WAS TO MODERNIZE VENEZUELAN ARMED FORCES. WHILE POM FORECASTS PROJECTED BUYS, ALL ITEMS INDICATED THERIN HAVE NOT IN FACT BEEN PURCHASED. HOWEVER, ALL ACTUAL PURCHASES HAVE BEEN AND WILL BE IN FURTHERANCE OF MODERNIZATION OBJECTIVES.

D. IS THERE ANY OTHER MILITARY JUSTIFICATION FOR CREDIT?

VENEZUELA SEEMS DETERMINED TO MODERNIZE ITS ARMED FORCES AS RAPIDLY AS POSSIBLE. MOST MILITARY OFFICERS ARE FAVORABLY INCLINED TO BUY FROM THE U.S. PRIMARILY BECAUSE THEY HAVE BEEN SATISFIED WITH US EQUIPMENT AND MAINTENANCE SUPPORT IN THE PAST AND BECAUSE OF DISSATISFACTION WITH THIRD COUNTRY PURCHASES. HOWEVER, IF THEY CANNOT COME TO SATISFACTORY CREDIT TERMS WITH THE US, THEY WILL LIKELY INCREASE PURCHASES FROM OTHER COUNTRIES. THE PURCHASE OF MAJOR ITEMS OF MILITARY EQUIPMENT FROM OTHER COUNTRIES COULD TIE THE VENEZUELAN MILITARY CLOSER TO THOSE COUNTRIES' TACTICS, DOCTRINE, LOGISTICS SUPPORT, ETC.

E. HOW DOES CREDIT PROGRAM RELATE TO GRANT MATERIEL AND/OR GRANT TRAINING PROGRAM?

CREDIT PROGRAM DOES NOT DIRECTLY RELATE TO THE GRANT TRAINING PROGRAM WITH THE EXCEPTION OF EMPHASIS ON HIGH LEVEL MANAGEMENT COURSES FOR EFFICIENT UTILIAZION OF THOSE ASSETS PURCHASED.

F. WHAT ARE RELEVANT POLICY CONSIDERATIONS FOR PROVISION OF CREDIT AND HOW DOES IT SUPPORT US OBJECTIVES IN COUNTRY AND REGION?

BASED UPON THE EMBASSY'S FY 76-77 CASP SUBMISSION, THE BASIC
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POLICY ARGUMENTS FOR CONTINUING FMS CREDIT ARE ROOTED IN THE US INTEREST IN MAINTAINING CLOSE RELATIONS AND INFLUENCE WITH THE VENEZUELAN ARMED FORCES, AN ASSET WHICH THE US HAS CAREFULLY DEVELOPED OVER THE YEARS. THIS HAS BEEN ACCOMPLISHED PRINCIPALLY THROUGH THE PRESENCE OF US MILITARY MISSION PERSONNEL. THIS PROGRAM HAS HELPED THE VENEZUELAN ARMED FORCES, INCLUDING THE NATIONAL GUARD, TO IMPROVE THEIR EFFICIENCY AND EFFECTIVENESS. THESE PROGRAMS HAVE ALSO RESULTED IN CLOSE WORKING RELATIONS

BETWEEN US AND VENEZUELAN MILITARY OFFICERS, AND THERE ARE INDICATIONS THAT THIS RELATIONSHIP HAS IMPROVED SINCE THE LAST CASP. FOR EXAMPLE, BY THE END OF FY 75, MORE THAN 5500 VENEZUELAN MILITARY PERSONNEL WILL HAVE BEEN TRAINED UNDER THE GRANT AID PROGRAM. THE IMPLICATIONS OF THIS CLOSE RELATIONSHIP FOR US STRATEGIC INTERESTS, FOR US MILITARY SALES, AND FOR A GOOD UNDERSTANDING OF THE THINKING OF THE VENEZUELAN MILITARY -- IN POLITICAL AS WELL AS MILITARY MATTERS -- ARE CLEAR. CLOSE RELATIONS WITH THE VENEZUELAN MILITARY COULD BECOME CRITICAL, IN ANY SITUATION IN WHICH A STEADY FLOW OF OIL FROM VENEZUELA BECAME NECESSARY TO MEET A US DEFENSE NEED. VENEZUELA'S POLICY OF INDEPENDENCE IN WORLD AFFAIRS AND ITS DESIRE TO DEVELOP NEW RELATIONS OUTSIDE OF THE HEMISPHERE ARE REFLECTED IN VENEZUELA'S BROADENING ITS SOURCES OF MILITARY EQUIPMENT TECHNOLOGY, AND TRAINING. THE CLOSE US-VENEZUELAN MILITARY RELATIONSHIP COULD SUFFER IF THE VENEZUELAN MINISTRY OF DEFENSE INTERPRETS THE DECREASE IN OR ELIMINATION OF US FMS CREDIT AND MORE FAVORABLE TREATMENT FOR BRAZIL AND COLOMBIA AS INDICATIONS OF DIMINISHING US INTEREST IN CLOSE COOPERATION WITH VENEZUELAN MILITARY. THIS LOSS OF CREDIT COULD EVEN HAVE REVERBERATIONS IN THE POLITICAL FIELD, IF VENEZUELA WERE TO INTERPRET THESE POLICIES AS ANOTHER FORM OF DISCRIMINATION, PARTICULARLY SINCE THE ARMED FORCES STILL REPRESENT THE ULTIMATE LOCUS OF POWER IN VENEZUELA.

G. WILL CREDIT SALE AFFECT REGIONAL ARMS BALANCE OR CONTRIBUTE TO AN ARMS RACE?

THE AMOUNT OF MONEY INVOLVED IN FMS CREDITS IS NOT SUFFICIENT IN AND OF ITSELF TO AFFECT THE REGIONAL ARMS BALANCE OR CONTRIBUTE TO AN ARMS RACE. HOWEVER, THE SHARP REDUCTION OR ELIMINATION OF FMS CREDIT TO VENEZUELA, IF ACCOMPANIED BY THE MAINTENANCE OR INCREASE OF SUCH CREDITS TO NEIGHBORING COUNTRIES, ESPECIALLY COLOMBIA, COULD CREATE A PERCEPTION BY THE VENEZUELAN MILITARY THAT THE US WAS THROWING ITS WEIGHT BEHIND THESE COUNTRIES TO THE

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DETRIMENT OF VENEZUELA. IN ADDITION TO AROUSING ANTI-US SENTIMENT AMONG THE MILITARY, THIS PERCEIVED THREAT TO THE REGIONAL BALANCE COULD STIMULATE THE GOV TO ESCALATE ITS ARMS PURCHASES AND RELY INCREASINGLY UPON THIRD COUNTRY SUPPLIERS.

H. IS THERE DEMONSTRABLE NEED FOR MILITARY CREDIT ASSISTANCE?

WHILE THE GOV HAS ADEQUATE FINANCIAL RESOURCES TO MAKE MILITARY PURCHASES WITHOUT CREDIT, THE VENEZUELAN MILITARY HAS TRADITIONALLY RELIED UPON CREDIT TO OBTAIN DEFENSE ARTICLES FROM THE US ABOVE THOSE SPECIFIED IN THE REGULAR DEFENSE BUDGET. THIS CREDIT "BONUS" HAS PLAYED AN IMPORTANT ROLE IN THE MODERNIZATION OF THE VENEZUELAN ARMED FORCES AND IN MAINTAINING A PRO-US ORIENTATION ON THE PART OF THE VENEZUELAN MILITARY.

I. WILL PROPOSED CREDIT CREATE REPAYMENT OBLIGATION WHICH WILL PLACE UNDESIREABLE BURDEN ON COUNTRY'S FOREIGN EXCHANGE RESOURCES PRODUCE EXCESSIVE CLAIMS ON FUTURE BUDGETS, OR OTHERWISE

INTERFERE WITH ITS DEVELOPMENT?

NO. VENEZUELA IS PRESENTLY AHEAD OF PREVIOUS CREDIT PAYMENT
SCHEDULES. NO FUTURE BURDEN ON GOV MILITARY BUDGETS IS ANTICIPATED.

J. WHAT OTHER ARMS PURCHASES IS THE COUNTRY MAKING FOR CASH OR
CREDIT FROM US OR THIRD COUNTRIES WHICH COULD BE RELEVANT TO
EXTENSION OF PROPOSED FY 1976 CREDIT?

CURRENT MAJOR PURCHASES SEEM TO BE FOCUSED ON NAVAL MODERNIZATION,
SUCH AS SIX ITALIAN FRIGATES, A FIRE CONTROL SYSTEM FOR THESE
FRIGATES, TWO FRG SUBMARINES, BRITISH PATROL BOATS, AND POSSIBLY 10
HYDROFOIL BOATS. THE SUMS INVOLVED IN THESE PURCHASES FAR EXCEED
POSSIBLE FMS CREDIT LEVELS AND THUS WOULD PROBABLY NOT BE DIRECTLY
AFFECTED BY SUCH CREDITS.
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